

**Declass Review
by NIMA/DOD**

~~CONFIDENTIAL~~

Case No. 4-228

10 APR 1964

MEMORANDUM FOR: Chief, Procurement Division/OL

ATTENTION : Chief, Industrial Contract Section

SUBJECT : Report on Analysis of Cost Proposal R-36-64, Submitted by

[Redacted]

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1. In compliance with the request in your memorandum dated 11 May 1964, we have reviewed the subject cost proposal. The results of our review are shown on the attached Exhibit A.

2. You will note that on Exhibit A, we have made two computations using various factors which are explained in the notes thereon. The overhead allocation rate of 117.2% and the general and administrative expense allocation rate of 12.73% are the approved company bidding rates for the [Redacted] for fixed price contracts. The general and administrative expense allocation rate for CPFF contracts is 11.8%, however, the overhead allocation rate of 117.2% is the same for all type contracts. 25X1

3. Our analysis was limited to the labor and overhead rates. We are not technically qualified to evaluate the reasonableness of the estimated hours. The contractor phased the work by functions over a twelve month period. A review of the procedures revealed that the project engineers estimate the man hours required to accomplish the job. The estimated hours are reviewed by management and changes are made when applicable. Management reduced the estimated hours on this proposal. Accounting applies the rates for costing purposes.

4. The amount included for materials was estimated by the contractor based on previous work of the same magnitude as the proposed job.

5. A report on survey of internal controls and accounting practices for [Redacted] was previously submitted under Case No. 4-218 dated 14 May 1964.

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[Redacted]

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Chief

Industrial Contract Audit Division

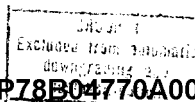
Attachments:

Exhibit A

Copy of Contractor's letter
dated 17 April 1964,
w/attachments

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